

## **Medicaid Modernization Background Information**

This briefing paper provides basic information in preparation for the 11 public forums on the operation, future direction and principles of the New Hampshire Medicaid program. A schedule of the hearings is attached. You may check the Department's website at [WWW.DHHS.NH.GOV](http://WWW.DHHS.NH.GOV) at any time for the latest updates to the schedule.

We hope that you, our partners, will find this information helpful in preparing for the forums and will share this document with your constituents. The Medicaid program acts as the safety net for our most vulnerable populations in New Hampshire, including seniors, low-income pregnant women and children and persons with mental health or developmental disabilities. The Department is committed to providing high quality services, and your participation in this process is critical to the State's ongoing success.

We all look forward to the opportunity to hear ideas in a constructive and positive environment.

### **Medicaid Overview**

Medicaid is a state operated federal program for medical services to eligible, low-income persons. The federal financial support requires matching state funds to pay for medical services, operating expenses and administrative costs associated with the delivery of health and medical services to eligible people in the State. The overall cost of the Medicaid program for the Department was approximately \$1.2B for State Fiscal Year 2003. The program served about 98,000 NH citizens a month.

### **Reasons to Consider Change**

There are a number of factors coming together that require New Hampshire to evaluate the current Medicaid program, its principles and funding, and consider substantial changes to the program. These factors include:

#### **Factor 1: Short Term: Federal Revenue Reductions**

The federal Centers for Medicare and Medicaid Services (CMS) is making two changes that will reduce New Hampshire's receipt of federal Medicaid funds by at least \$100M for State Fiscal Years 2006 and 2007. This reduction in funding available to the State suggests one of two options: 1) we can begin now to address the problem; or 2) we can wait until this winter when we prepare for the State's next budget preparation and face the possibility of having to make difficult decisions with little time for careful planning.

While this short-term factor alone is a primary reason to look at the current program, there are also some long-term trends which require us to re-evaluate the Medicaid program.

## **Factor 2: Long Term: Demographics shape our destiny.**

New Hampshire's population will grow by 10% through 2010 to 1.36 M residents. Of more importance is the increasing percentage of elderly residents. There are direct and indirect consequences of these trends. These factors will increase pressure on the State's financial resources.

The projected growth in specific age groups is:

- Ages 65-74 will grow by 25%
- Ages 75-84 will grow by 9%
- Those over 85 will grow by 45%

Historically, those aged 85 and older are 5-6 times more likely to require nursing home care which is primarily funded by the Medicaid program. Growth in the need for long-term care ultimately could cripple the State's budget. Long-term care already consumes a significant share of the Medicaid budget, and the need is likely to grow to a point where long term care services alone will cost as much as the entire current Medicaid budget.

To address the needs of the growing elderly population, the State will have to expand its nursing homes or provide alternative systems of care. The experience in New Hampshire and the country indicates that enabling citizens to "age in place," that is to stay within their own homes and communities, reduces costs by delaying the need for nursing home care until absolutely necessary.

As the State ages, so does the population of individuals in the community caring for those with severe mental illness and developmental disabilities. As parent caregivers age, their children who are now adults must also be cared for and are becoming new Medicaid clients.

### **Call to Action**

Addressing these challenges will require a coordinated effort on the part of the Governor, the Legislature, the Department and our stakeholders. This Department has already initiated efforts to address aspects of this challenge.

- The Department is engaged in a reorganization to get better value for every taxpayer dollar that is spent. We are in the process of consolidating units and whole divisions to streamline our organization, cut redundant operations and improve communications.
- The Department is working with its partners in the various systems of care to achieve further savings in administrative efficiencies. Each dollar of administrative savings can be redirected towards direct care. Among the areas the Department is exploring is the review and simplification of complex rules and regulations that add unnecessary costs to the system and do not benefit our clients.

Although these changes position us to better respond to the immediate issues, they do not address the fundamental challenges outlined here. The pending fiscal crisis, along with long-term trends, raise significant concerns about the future viability of the Medicaid program.

### **The Opportunity**

Recently Governor Benson met with federal Health and Human Services Secretary Tommy Thompson. In recognition of the issues outlined above, Secretary Thompson proposed the idea of “modernizing” Medicaid to confront the new realities. The Secretary indicated a willingness to consider granting much greater flexibility for a redesigned Medicaid program for New Hampshire. As a result of this meeting, the Governor asked the Department to answer the following question:

“If you were designing a Medicaid program today, what would that program look like?”

### **Process:**

The goal of the process is to prepare a conceptual plan for a next generation Medicaid program that is uniquely responsive to the needs of New Hampshire. The Department will work in conjunction with Governor Benson, the Legislature, our stakeholders and the community to develop such a plan. We will also work with the federal government, which has a wealth of information on innovative practices and ideas from other States.

We must act quickly to develop a plan prior to reductions in federal revenue becoming a reality. In order to meet our objectives in the brief time available, we will be using a national consulting firm to assist us in this effort.

The Department has set up several planning groups with the objective of designing a set of principles, goals and a plan for a new Medicaid system. There are several teams consisting of staff from the Department and an Advisory Council, comprised of representatives from various systems of care and others, to help formulate ideas.

For the State to succeed, we must have an open process. The upcoming community forums are critical. While we clearly appreciate and recognize the many pressing short term issues faced by our clients, partners, the communities where services are delivered and local governments, the forums need to focus on the future. We want to hear your general visions, principles and specific ideas, as if you were answering the question posed by the Governor. We also need this to be an ongoing process. In addition to the forums, we have an email address where comments from all can be received and considered.

The email address is [MedicaidFeedback@DHHS.State.NH.US](mailto:MedicaidFeedback@DHHS.State.NH.US).

You may also submit written comments to:

Medicaid Feedback  
Office of the Commissioner  
Department of Health and Human Services  
129 Pleasant St.  
Concord, NH 03301

### **The Forums:**

The Department has no preconceived answers to the challenges before us. We have a draft set of goals and principles to guide us going forward. In addition, we have a number of open questions we hope you and your constituents will consider and discuss at the upcoming forums.

#### **Among the goals we have articulated are the following:**

- Improve the quality of service delivery and of the outcomes achieved
- Contain and reduce the costs of delivering services
- Strengthen prevention and education activities to lower the long-term costs of health care
- Promote healthy lifestyles and personal responsibility
- Introduce competition to services
- Promote empowerment and choice for the consumer and their families
- Reduce the overall administrative and operational costs
- Reduce regulatory inefficiencies
- Streamline the service delivery system
- Strengthen integrity and cost recovery

#### **The questions we have for your consideration are:**

- Transforming a system as complex as Medicaid is a huge task. As we move forward, what do you believe are the underlying principles governing the way in which we change the system?
- We have a system that must change to adapt to the short and long-term factors we've cited. The current system however, has a number of strengths upon which to build. What are the things that we do well and what would you preserve?
  - What assets from other systems would you use that you can't under the current Medicaid system?

- Over the years, we have designed our systems to conform to often complex and contradictory Federal policy and regulations. If you could eliminate the top three barriers standing in the way of delivering more services, at less cost with better outcomes, what would they be?
- The Medicaid system is comprised of a number of elements working towards achieving positive service outcomes for clients and their families. What role should the client play in a transformed system? For example:
  - Should Medicaid clients be required to share in the cost of services, as is the case with people covered by private health insurance?
  - Should the client play a bigger role in deciding their care? If so, what must change in order to enable this to happen?
  - What level of personal responsibility should the client have for decisions that adversely affect their health?
- For the providers of service in the Medicaid program, should payments to them be tied to quality of care? If so, in what ways would you achieve this?
- How can care to clients be better managed so that services provided are needed as well as provided in the most appropriate and least costly setting?
- While providers deliver services, each of them operates and is supported by many within a community. What is standing in the way for mobilizing additional resource and capability within community based organizations?

We look forward to seeing you and your constituents at the forums. In addition to verbal comments made at the forums, we welcome any written submittals.

If you do have any questions or comments, please use:

[MedicaidFeedback@DHHS.State.NH.US](mailto:MedicaidFeedback@DHHS.State.NH.US).

Thank you.